

MAR 8 - 2019

SENATE RESOLUTION

REQUESTING THE DIRECTOR OF TAXATION TO CONVENE A TASK FORCE TO
CONSIDER WORLDWIDE COMBINED REPORTING OF CORPORATE INCOME.

1 WHEREAS, in the last twenty years, there has been an
2 increase in on-line sales and a decline in sales at physical
3 brick and mortar stores; and

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5 WHEREAS, it is in the State's interest to achieve parity in
6 corporate income tax assessment from all vendors, regardless of
7 whether the sale is on-line or in a physical location; and

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9 WHEREAS, changes in corporate business models over the past
10 twenty years have impacted tax collections and tax laws have not
11 kept pace with the evolution of business practices; and

12
13 WHEREAS, some large corporations that maintain a physical
14 presence in Hawaii sell goods and services in the State, but
15 reduce their tax exposure on those sales by shifting income to
16 offshore subsidiaries and, thereby, put smaller companies who
17 are entirely domestic at an unfair disadvantage; and

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19 WHEREAS, a January 2019 report, authored by the Institute
20 on Taxation and Economic Policy and the U.S. PIRG Education
21 Fund, entitled " A Simple Fix for a \$17 Billion Loophole: How
22 States Can Reclaim Revenue Lost to Tax Havens," estimates that
23 Hawaii is losing \$38,000,000 annually by not updating tax laws
24 to mandate worldwide combined reporting of corporate income, as
25 opposed to the current combined reporting standards; and

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27 WHEREAS, the authors of the January 2019 report recommend
28 that states amend tax statutes to require worldwide reporting of
29 income so that profits shifted to a "tax haven" are not exempted
30 by virtue of being outside of the United States; and

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32 WHEREAS, corporations that sell goods in Hawaii are
33 expected to contribute to the tax base, regardless of the size
34 of the corporation or where its profits are located, because
35 corporations benefit from tax dollars spent on regulated



1 markets, enforcement of laws, and the general public welfare;
2 and
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4 WHEREAS, more than half of all states have passed
5 legislation to increase corporate tax fairness and to close tax
6 loopholes; now, therefore,
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8 BE IT RESOLVED by the Senate of the Thirtieth Legislature
9 of the State of Hawaii, Regular Session of 2019, that the
10 Director of Taxation is requested to convene a task force to
11 determine if worldwide combined reporting, also known as
12 "complete reporting," would be a more fair and effective form of
13 calculating corporate taxation; and
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15 BE IT FURTHER RESOLVED that the task force is also
16 requested to compare worldwide combined reporting to other
17 methods, such as a tax haven list approach, to evaluate whether
18 either method would be suitable for Hawaii; and
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20 BE IT FURTHER RESOLVED that, in comparing the various
21 methods of calculating corporate income tax, the task force is
22 requested to evaluate each approach for:
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- 24 (1) The cost of administration and auditing;
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- 26 (2) The burden of the requirements to corporations of
27 different sizes;
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- 29 (3) The expected increase in tax revenue; and
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- 31 (4) Other criteria deemed important for decision making;
32 and
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34 BE IT FURTHER RESOLVED that the task force is requested to
35 determine:
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- 37 (1) Which policy suggestions made in the January 2019
38 report of the Institute on Taxation and Economic
39 Policy would be appropriate for the State; and
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- 41 (2) Other proposals to address the evolution of corporate
42 business models; and



BE IT FURTHER RESOLVED that the task force is requested to include:

- (1) The Director of Taxation, or the Director's designee, who shall serve as chairperson of the task force;
- (2) The President of the Senate, or the President's designee;
- (3) The Speaker of the House of Representatives, or the Speaker's designee;
- (4) The Chief State Economist of the Research and Economic Analysis Division of the Department of Business, Economic Development, and Tourism, or the Chief State Economist's designee;
- (5) One economist appointed by the Governor from a list of no more than three nominees submitted by the University of Hawaii; and
- (6) A member of the Tax Foundation of Hawaii, to be invited by the Chairperson of the Task Force.

BE IT FURTHER RESOLVED that the task force is requested to submit a report of its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2020; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Governor; President of the Senate; Speaker of the House of Representatives; Director of Business, Economic Development, and Tourism; Director of

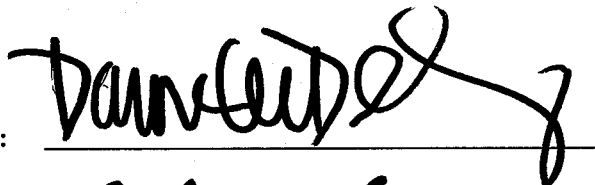




S.R. NO. 87

1 Taxation; Chairperson of the Board of Regents of the University
2 of Hawaii; and President of the Tax Foundation of Hawaii.

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OFFERED BY:


Clarence K. Iisaka

